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The report of the
Superintendent...

New York

1914

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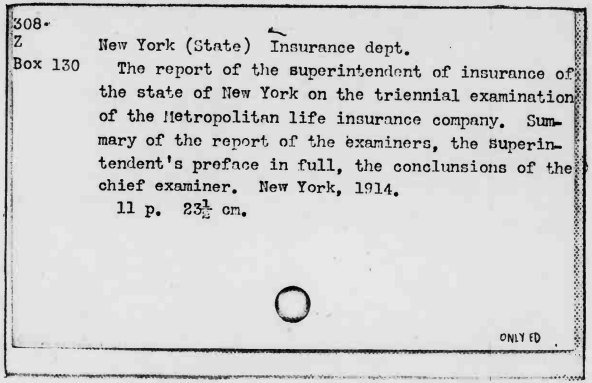
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New York (State) Insurance dept.
The report of the superintendent of insurance of the state of New York on the triennial examination of the Metropolitan life insurance company. Summary of the report of the examiners, the superintendent's preface in full, the conclusions of the chief examiner. New York, 1914.
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The Report of the Superintendent of Insurance

OF THE STATE OF NEW YORK

On the Triennial Examination

OF THE

Metropolitan Life Insurance Company

Summary of the Report of the Examiners
The Superintendent's Preface in Full
The Conclusions of the Chief Examiner

New York, May, 1914

Summary of the Report.

To Our Own People:

We have received the most remarkable report ever made upon a life insurance company by a supervising official.

We present a brief summary and we print in full the Introduction by the Superintendent of Insurance, and the "Conclusion" of the report by the Chief Examiner.

The occasion was the regular triennial examination required by law. We were very proud of the report made three years ago by the then Superintendent of Insurance, the Hon. WILLIAM H. HOTCHKISS. That being the first examination made of the METROPOLITAN LIFE subsequent to the passage of the Armstrong laws, it went back practically to the formation of the Company. You remember that it was very favourable; and we followed its publication by a pamphlet describing in detail the work and progress of the Company for the preceding twenty years, which covered the management by the present executive. It was a wonderful exhibit.

The present report, following an examination which occupied a full year, covers the business down to the end of 1912, and makes noteworthy comparisons with the figures of the preceding report which ended with the business of 1909; and shows:

In the intervening three years the Company gained in assets about 120 millions of dollars and in insurance 563 millions of dollars, of which over 300 millions were in the Ordinary Department. It added nearly two and a quarter millions of policies in force. At the end of 1912 the assets were $397,913,-442.71; the insurance in force, $2,604,966,102, of which $910,-263,864 was Ordinary insurance and $1,694,702,238 Industrial insurance; the number of policies in force, 12,837,042. (P. 3.)

The agency force was 11,834. (P. 61-2.)

Progress in other respects was no less remarkable. The lapse ratio on new business of Industrial policies decreased six points, or nearly 15 per cent. The examiners set forth the percentages since 1906 yearly to the end of 1912, and they say: "*The above comparisons show a constant and consistent improve-*

ment in the business of the Company. This condition indicates, first, an improved organization, and, second, better satisfied policy-holders." (P. 50.)

"The Company now issues *automatic paid-up insurance* for life." (P. 46.)

As to claims: "The Company receives on the average about 550 claims a day. They are given prompt attention, the majority being paid the day proof of claim is received." The ratio of rejections in the Industrial Department is stated to be only *twenty-eight hundredths of one per cent.!* (P. 52.)

As to bonuses—that is, cash grants to policy-holders over and above the provision of the contracts—the declarations of each year for 19 years, making the total to the end of 1912 $35,367,293.32. (P. 53.)

Large decrease of cost of Industrial insurance, comparing 1912 with 1902. (P. 71.)

Low net cost of Industrial insurance after long persistence —after 25 years, age 20 at issue, $14.10 per $1,000; age 30 at issue, $18.05; age 40 at issue, $24.67. After 30 years of persistence, age 20 at issue, $11.72; age 30 at issue, $15.01; age 40 at issue, $20.51. (P. 70.)

Improvements in policy-contracts in all Departments. These are set forth on pp. 55-6.

The progress and extent of our Welfare work. This is described on pp. 57-61. As to free nursing of sick Industrial policy-holders, it is shown that in April, 1913, there were "637 nursing centers from which were covered adjacent towns to the number of 792, a total of 1,429"; that in 1912 the number of visits was 962,133 on 131,090 cases, costing $440,678.79 in districts having 9,857,780 policies in force. The educational work on the subject of health and hygiene is described; the expenditures on the Sanatorium for employees set forth; the assets of the Staff Savings Fund (for the benefit of employees at the Home Office and in the Field, to which the Company adds about 50 per cent. of the savings deposited) are shown to have been doubled, rising from $900,000 in 1909 to $1,800,000 in 1912.

The full report covers over 80 printed pages, and is, of course, too long for general circulation. We have sent a copy to each of our Superintendents, to every Commissioner of Insurance and to the various insurance newspapers. For the purposes of general information the summary above will suffice.

But the Examiners' Report as printed by the Department is preceded by a very remarkable Preface, written by the Hon. WILLIAM TEMPLE EMMET, the Superintendent of Insurance for the period covered by the report. It is brief and readable not only for its matter but its form, the beautiful English style of which Mr. EMMET is master. We cannot comment upon it, for we could not do so without using extravagant language. We can only say that we are very, very proud of being made the subject of commendation in a paper so full of the wisdom of a statesman.

We append to this Preface the "Conclusion" of the Chief Examiner in his report to his Superintendent—an Examiner who is always chary of praise, no doubt because he feels that his official position is that of critic. His hearty approbation and the absence of criticism are, we believe, almost unprecedented and therefore the more grateful to us.

These two papers constitute an official view of the METROPOLITAN LIFE INSURANCE COMPANY which the administration prints with an intense gratification which I am sure you will all share.

Haley Fiske.

Vice-President.

PREFACE TO THE REPORT
BY THE
HON. WILLIAM TEMPLE EMMET, SUPERINTENDENT OF INSURANCE.

STATE OF NEW YORK.
INSURANCE DEPARTMENT.
ALBANY, N. Y., March 23, 1914.

When the METROPOLITAN LIFE INSURANCE COMPANY was last examined by this department, Mr. WILLIAM H. HOTCHKISS, who was then the Superintendent of Insurance of New York State, prefaced the publication of his report of examination with a memorandum in which laudatory references were made to the company's activities in several of its departments. Particular stress was laid upon the desirability of encouraging and extending in this country the writing of so-called Industrial insurance, for which the METROPOLITAN LIFE INSURANCE COMPANY is chiefly noted. This, I suspect, was a question which had been puzzling Mr. HOTCHKISS considerably, as it had the Armstrong Committee a few years before—the question, I mean, of whether private enterprise should be left much longer in control of the business of supplying Industrial insurance to the masses on a large scale. My predecessor's memorandum shows that, whatever his original doubts may have been on this point, they were dispelled by the showing which the METROPOLITAN made under an examination which was searching in the extreme, and which I surmise had in the first instance been undertaken in no spirit of pre-conceived approval of the company's methods and purposes.

Upwards of three years have passed since that examination was completed, and to-day, notwithstanding the fact that the world is steadily growing more radical in its attitude toward private enterprise as a suitable agency for the accomplishment of quasi-public purposes, this question of permitting organisms like the METROPOLITAN LIFE INSURANCE COMPANY—stock companies, in the management of which, however, policy-holders have certain rights—to continue to supply the great social service of providing Industrial insurance to the masses unchallenged by interference or competition from the State

itself, is not being agitated to anything like the extent it was three years ago. In other fields, the socialistic ideal of State control has during this time been making large headway, while in this field it has shown a distinct tendency to abate. If this means anything, it means that in the field of Industrial insurance, however it may be in other directions, private enterprise has been splendidly justifying itself by its works. Upon no other ground is it possible now for private enterprise in any quasi-public field to escape the challenge of the new spirit that is abroad in the land.

The fact is, the history and achievements during the last decade of the METROPOLITAN LIFE INSURANCE COMPANY, and of one or two other of our large life insurance companies, present such shining examples of efficient and enlightened business management—with in some cases a dash of statesmanship thrown in—that it seems to me to be quite as much the duty of a supervisory official, when an appropriate occasion arises, to comment favorably upon such cases of successful public service by business corporations under private control, as it would be his duty under present conditions to administer sharp criticism if the tendency had been in the other direction. In the case of the METROPOLITAN LIFE, the responsibilities of the company's management are shared by its comparatively small number of stockholders and its army of Ordinary policy-holders—under charter provisions designed to bring about this happy union in a practicable manner. Precisely what the basis of this partnership between stockholders and policy-holders is need not be gone into here. It is no part of the work of the Insurance Department to settle questions which from time to time arise over the legal meaning of charter provisions. That is a function reserved, under our laws, to the courts. It is with the results achieved under such a system as the METROPOLITAN has, rather than with its exact legal character, that we are now concerned. I simply call attention, therefore, to the interesting fact that at each annual election of directors certain of the Ordinary policy-holders and the stockholders of this company have the right to vote, under charter provisions which so far modify the procedure of strictly stock corporations as to constitute at least a substantial recognition of the theoretical advantages of the mutual idea, without at the same time involving a complete abandonment of those fundamental virtues which reside in the system of stock ownership. In the

evolution of modern business the potentialities of such a plan of organization as the METROPOLITAN follows are deserving, I think, of very serious consideration.

The administrative officers of the company, whose directors are chosen in the manner I have mentioned, seem to me not to have approached their task with any bias in favor of stockholders as against policy-holders, or the reverse—as might very well have been the case if one or the other of these elements had been in complete control of the company. Rather they have shown a desire to harmonize the interests of both elements for the general good of the organization. In this they have been very successful. They have so increased the assets of the company as to make these equal the resources of many States and even nations. They have at the same time steadily cheapened the cost of insurance to policy-holders, both by direct means and by the distribution of bonuses. They have extended the company's business to such an extent as to bring it into contact now with approximately one-eighth of the population of the entire United States. That this notable growth has involved no sacrifice of efficiency in the handling of administrative details, but on the contrary has been the direct result of constantly increasing efficiency, is shown by the comparatively small losses sustained by the company in proportion to the large investments made, by the high earning power of the company's securities, and by the steady decrease which has been taking place in the percentage of managerial expenses to the company's premium income. The fact that the percentage of lapses due to the abandonment of their insurance by policy-holders is constantly decreasing, speaks eloquently to the same effect. This last-mentioned development is perhaps the most convincing evidence which could be offered that the company's policy-holders are, broadly speaking, very well satisfied indeed with what they get in return for the premiums they pay.

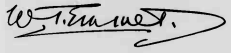
A very remarkable showing, altogether. It is very largely explained, it seems to me, by the fact that those in control of these great companies realize to-day that such institutions must shoulder responsibilities to the community at large of a somewhat different order from those which confronted them when they were engaged in business in only a small way, and that the affairs of such companies simply cannot be administered in a spirit which takes only the business side of things into

account. This fundamental change in attitude on the part of great business institutions which have come up from small beginnings need not, it seems, be accompanied by any actual changes in the legal status or character of such organizations. In the case of the METROPOLITAN there have been no vital changes in the company's corporate character for many years. Under its system of joint control by stockholders and Ordinary policyholders, it has been able very effectively to rise to the occasion and to bring about all the changes in its methods of doing business which a continuous growth has from time to time necessitated. It is difficult to see how, if the burden of the administration of such institution as this had during the past twenty years been upon the shoulders of the public, the institution could have been made a particle more responsive than it is to the constantly changing requirements of our time. If the men in charge of such a company grow reactionary in their tendencies, or blind to the social progress of the age, the movement toward an absorption of their powers by the State itself will, as matters stand, proceed very rapidly. But in the case of the company under consideration there has been such a frank and fearless recognition of its new responsibilities that it is easy enough, after all, to understand how it has happened that in the field of Industrial insurance the movement toward State operation and ownership has experienced a set-back. Having very promptly recognized what the public may rightfully require from institutions engaged in the Industrial insurance business —having in fact been largely instrumental in educating the public to a full realization of what it might rightfully require— this company waited for no changes in existing law before striking out as a pioneer among insurance companies along the pathway of social service on a huge scale. The report of the examination which has just been completed shows the extent and ramifications of these departures. The many admirable things which have been accomplished for policy-holders and employees during the past decade are set forth in considerable detail in the following pages. Leaving out of consideration the mere numbers of those who have been directly benefited by these activities, I think that the example which the METROPOLITAN has set to other great business organizations by its early recognition of the new responsibilities attaching to all business enterprises which have attained a certain size, is one of the most beneficial of recent occurrences in the field of

American business. In carrying out some of its remarkable projects of social betterment, like the establishment of its tuberculosis sanatorium for the Home Office and Field employees of the company, it has had to overcome many obstacles, even to the extent of invoking court aid to enable it to proceed. Fortunately our court of last resort in New York was progressive minded enough not to withhold its assistance in this worthy enterprise. The tuberculosis sanatorium is now an accomplished fact. But for years before this happened, the company had, by means of educational literature distributed on a gigantic scale, been waging effective warfare against the dread evil of tuberculosis. For years it has through its publications upon the question of health conservation been serving multitudes of people as a sort of University of beneficial instruction upon this most important subject. For years it has maintained for its policy-holders a nursing service upon a great scale; this has latterly become a veritable marvel of efficiency and practical helpfulness. I have mentioned only a few of the things the company has been doing in the field of social service, but I think that these will sufficiently show the extent to which this institution has recognized the modern truth that organized wealth under private management must, if it is going to be allowed to exist at all, assume certain public responsibilities which were not dreamed of under any of the old philosophies.

Now as to my purpose in dwelling upon these matters in a memorandum like this. It is not, let me hasten to say, primarily for the purpose of praising the METROPOLITAN LIFE INSURANCE COMPANY or its present management that I mention them. It simply happens that this great institution—having so very recently been under our critical scrutiny, and presenting so many admirable illustrations of what an efficient and enlightened modern business organization on a large scale can do in the way of keeping abreast of modern thought—seems to be in a position where I may properly use it as an illustration of the particular point I had in mind when I decided to prepare this Preface to the Report of my Examiners. My point is, of course, that private initiative and enterprise are at their best still capable of doing the finest possible work in fields from which, latterly, all the talk has been that these agencies should be compelled to retire. Those of us who have been more or less closely connected during the past few years with the work of the State are in a position to realize better perhaps than

many others are, the strength of the tide that is setting nowadays in the direction of what is commonly called Socialism—by which I mean, of course, the taking over by the State at the earliest possible moment of nearly every form of productive activity. We have been in a position, too, where we could plainly see some of the evils which creep very insidiously into all public administration of large and complicated affairs. Upon me the effect of the experience has been to make me disinclined to see the movement toward State omnipotence proceed a bit faster than it has to. Rather would I see the people pause every now and then before such an example of private enterprise as we are here considering, and consider soberly whether, in the long run, good is going to come from substituting political administration in place of the kind of private administration which can apparently be secured for such companies nowadays—and which can be safeguarded, of course, to any extent the State may desire by a system of efficient governmental supervision. The METROPOLITAN LIFE INSURANCE COMPANY is only one of several great insurance organisms of which substantially the same things which I have said with particular reference to this one company might be said generally. The METROPOLITAN LIFE INSURANCE COMPANY is by no means a unique example among business institutions, or even among insurance companies, of modern and enlightened business management. Institutions like this constitute the most effective barriers we have to-day against the too rapid spread of socialistic ideas; and that is why, with so shining an example at hand, I—who believe in making haste slowly in the field of political evolution, even to the extent of putting on the brakes occasionally—have not been able to resist the temptation of pointing specifically to it in proof of what private enterprise is capable of accomplishing for the public good in the insurance field.



Superintendent of Insurance.

"CONCLUSION.

"This examination shows that this Company is efficiently managed, that its financial condition is good and that its reserves are ample. It promptly carries out its obligations to

its policy-holders in a liberal manner. The Company has a first-class organization. The management and agency force are devoted to the welfare of the Company and its policy-holders.

"The treatment by this Company of its policy-holders in the prompt payment of their claims, in the voluntary payment of millions of dollars in bonuses, and its social welfare work—both in education and in the free nursing servic —are features of the Company's business which deserve commendation. The Tuberculosis Sanatorium for the benefit of thousands of employees of the Company; the Staff Savings Fund, whereby it encourages thrift among its employees, and other ways in which it cares for its employees, all impressed your examiners with the advanced position this Company has taken in this class of work. These facts, together with the further fact that all policy-holders of the Company whose policies have been in force for one full year are entitled to vote for members of the board of directors, safeguard the future welfare of the organization.

"Respectfully submitted,

"NELSON B. HADLEY,

"*Chief Examiner.*"

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